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ABSTRACT

The greatest single matter of concern before policy boards, officers, and administrators is seen as the question of financing the ongoing operation of the college, the university, or the system of higher education. Unionization, affirmative action, student recruitment, tenure, educational competition, changing modes of instruction all have financial implications. Policy boards hold dual responsibility: they have ultimate, non-transferable responsibility for the procurement of essential financial resources, and they have the responsibility for determining, as objectively as possible, the degree of wisdom by which existing resources are managed. Nine preconditions for fiscal procurement responsibility, from private or public sources, are outlined that deal with: (1) response, not reaction, (2) the chief executive, (3) academic deficits, (4) management assurance, (5) financial options, (6) staff ingenuity, (7) constituent perceptions regarding private, public, and church-related institutions, (8) tax implications, and (9) institutional marketing. (LBH)

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"BOARD RESPONSIBILITY FOR PROCUREMENT OF RESOURCES"

Association of Governing Boards
Chicago Conference, October 24-25, 1974

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Perhaps the greatest single matter of concern before policy boards, officers, and administrators today is the question of financing the on-going operation of the college, the university, or the system of higher education. Unionization, affirmative action, student recruitment, tenure, educational competition, changing modes of instruction all have financial implications.

Notable experts have authorized numerous works on the subject of financing post-secondary education. Study groups, commissions, task forces, conferences, bureaus, centers of research, consortia each and all add to the thinking if not the knowledge of the problem and the opportunities for resolution. Regardless of this tide of talk and printers ink, the solutions for each institution cannot be found solely in external resources. Rather, solutions must be discovered internally first. Within the human characteristics of ingenuity and perspicacity of the institution's leadership, study and concern can discover new and flexible alternatives.

Policy boards hold dual responsibility. First, policy boards have ultimate, non-transferable responsibility for the procurement of essential financial resources. No other body is responsible in law for the management of the institution regardless of how a board may wish to delegate or abdicate this function. Second, boards have responsibility for determining, as objectively as is humanly possible, the degree of wisdom by which existing resources are managed. In seeking to meet that responsibility, each policy board member must ask herself or himself a profound, personal, moral question - does this institution deserve to survive? Or, if this institution

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ceased tc exist, who would miss it? Mere existence is insufficient rationale for forced survival.

Responsibility for resource procurement must be preceded by absolute assurance that all measures for the conversation and utilization of existing resources is maximized. Our way of life is challenged in every direction. The risks of luxury must be balanced against the costs of necessity and proof ot utility. Deep concerns mandate thoughtful, studied actions. Policy boards must be assured of absolute needs through honest, thorough staff perparation for clear background documentation leading to tough impersonal decision making.

In this age of uncertainty there are no short cuts to fiscal viability. Boards will be called upon to make difficult, unpopular decisions. Before those decisions are made, the board has a right to expect of itself and its associates within the institution careful consideration of certain essential preconditions. Implementation of these preconditions will strengthen the confidence in management as it seeks to prove that it has earned the support it seeks. In summary form, there are 9 preconditions for fiscal procurement responsibility whether from private or public sources or both.

RESPONSIBILITY #1. Response. Not Reaction. As a general observation, policy boards just simply do not provide themselves ample opportunity to discuss among themselves informally or thoroughly economic, social, and demographic forces, issues, trends, and data as these apply to their institution. In the hussle and bussle of getting through agenda, real issues and constraints which may be analyzed in open discussion are seldom confronted. To the extent humanly possible all pressures and strains that may be felt by the institution must be anticipated in advance, studied, analyzed, and weighed in terms of academic, human and fiscal impact. Only then can viable options for choice be identified and evaluated.

One public university found itself in increasing disfavor with new legislators whereas for decades before the institution was favored and

received more than adequate financing. Someone forgot to analyze the nature of the composition of the legislature. No longer were its members farmers. Suddenly they were attorneys - not specific beneficiaries of the institution's services.

Boards and institutions must plan for flexibility to be responsive rather than reactive. In too many cases crisis plans and crisis budgets have become standard practice. Too many boards are satisfied to be custodians of the status quo. Some are insulated or isolated from the reality of present or future dangers. Some are inundated by so much paper that major issues remain vague or hidden. Some boards are apathetic enough to 'let George worry about it.' George is usually the president. Most boards do not schedule the time or the occasion to talk as board members among themselves.

Board members have no excuse for being less than totally informed about the institution they hold in public trust. They have the right and the obligation to require the chairman, president, and senior staff to keep them informed of current and projected problems and opportunities at the institution. No less important should be the efforts by every member of the board to initiate learning about key issues and forces that will effect that trust, input which should come from the institution, from organizations such as the Association of Governing Boards and from personal reading, study, and reflection.

Some acute observers of the modern scene hold that societal change is now occuring in 90 day cycles. Even if this judgment is somewhat extreme, it is clearly not too soon to anticipate that campuses and the teaching/learning processes as we know them may become obsolete within the lifetime of students now in college.

Thus boards and presidents have an inescapable joint responsibility to share information and concern for what will be not only for what is. In this connection, can you recall the agenda from your last board meeting? Did it follow Parkinson's Law of Triviality? "...the time spent on any item on an agenda will be in inverse proportion to the sum involved?" You need only insert other words for "sum" like "policy importance."

Preparation for the future begins with the guardians of that future who are responsible in law for the management of institutions - an obligation calling for no less and perhaps more personal integrity than one can be expected to exercise in the management of one's own business or personal life.

RESPONSIBILITY #2. The Chief Executive. Policy boards must assure and reassure themselves that they have the best possible chief-executive. This is not the time for board complacency resting in idle self-assurance that 'we have a nice president.' Nice presidents finish last with nice institutions.

Presidents should be management irritants to their boards. They must assiduously educate board members objectively and persistently about present and future issues as they see them and in realistic, honest, even harsh terms. Too often presidents' relationships to boards are at least tolerant; at worst feudal. Too often more effort is expended to protect presidential turf than in motivating and facilitating dedicated, invaluable wise decision-making by boards in control.

Yet, great tribute and honor must go to those presidents and officers whose leadership and art of management far exceed public knowledge. Their developed skills in managing the internal affairs of curriculum, services, facilities, faculty, and staff for ever greater relevancy and utilization in the face of great odds too often goes unstated and unrewarded. We are heartened by the remarkable ingenuity of some administrators in devising processes, methods, and means for assuring quality in teaching and learning, research, and service. Policy boards are generally unaware of these attributes of officers, staff, and faculty within their own institution. This makes it most difficult to identify and reward constructive change and penalize the opposite.

RESPONSIBILITY #3. Academic Deficits. Policy boards must assure themselves that their institution has a valid, objective, studied master plan continually up-dated. Without such a plan, how is it possible for boards to evaluate adopted policies, review and relate financial requests, analyze the effectiveness of services, and approve financial programs? Without this knowledge, previously planned and approved programs and services cannot be related to proposed budgets, leaving boards unaware of the risks of an academic deficit even before the consideration of financial deficits. The academic and student divisions through policy board committees on academic and student affairs, should present their budgets on what it really should cost to provide advertised objectives. Then boards can decide what they must 'settle for' in both budgets.

The necessity to secure resources must first depend upon what programs and services the institution is seeking to offer its students and constituency. These activities should be the first concerns of board academic and student life committees. Instead, we find most of these committees the least active, least informed, and least concerned of all board committees. Yet, in their hands rests the issues of purpose and functions that in the end will determine the institution's future. The academic committee should be responsible for the master plan and all its elements, including the preparation of an academic budget of necessity at the same time others are preparing financial budgets. The student life committee should be continually responsive to assessing changes and costs in student life and student service requirements. They should be prepared to respond to alternative options and examine proposed changes in terms of costs and risks on behalf of quality education, student services, and public services. Only with such input from the board level can finance committees operate effectively and comprehend projected costs and benefits. In short, finance committees should not set academic policy, but without academic budgets there is no alternative.

In the future, the accumulated academic deficits of institutions in terms of failure to meet high priority goals and objectives may be far more damaging to academic validity than unbalanced budgets. Policy boards must know the true dimensions of the academic risks and the academic costs often inherent in budgets balanced for financial appearances. Few do.

RESPONSIBILITY #4. Management Assurance. Policy boards have a right to assure themselves of effective and efficient programs through the retention of specialists.

Most institutions have outstandingly competent staff who, through the president, serve the board and the institution with great concern and dedication. But boards can only delegate authority not responsibility for management. Seldom do boards seek objective assurance that the institution is well managed.

Most boards rest on prepared statements by staff officers all of which are self congratulatory seldom self-immolating. One college has recently adopted the following by-law which we recommend as consistent with board responsibility. It should be an example for all institutions:

> "Periodic Review of the College. To assure that every aspect of the management and operations of the college is being performed with due effectiveness and within the general policies laid down by the Board, there shall be conducted a periodic audit and review of the state of the college, emphasizing progress toward major goals and objectives. At least once every five years there shall be an evaluation of: (1) the general management of the institution with special reference to the office of the President and the chief administrative offices; (2) the educational program, including faculty and student affairs; (3) the business affairs and physical plant and grounds management; (4) the programs for public relations, resource development and financing; and (5) the Board operation and trustee effectiveness. The review and evaluation shall be conducted or authorized by the Board as it deems appropriate and reported to the full Board. Trustees

and Board committees shall be involved as appointed or directed by the Chairman of the Board following consulation with the President."

Corporate boards and government agencies surround themselves constantly with the best possible advice to assure that the decision-making process selects the most promising of all possible options. Policy boards taking such steps both complements and compliments the chief executive and the senior staff and validates standard or special operating procedures.

Attempts by well-meaning board members to loan otherwise able management executives, who are inexperienced in the human and procedural nuances of higher educational institutions, can be painfully counterproductive and are seldom beneficial.

Instead, resource persons of proven competance and effectiveness in the educational field and in the matter under consideration should be made available to the board, its committees, and the senior management staff as appropriate.

RESPONSIBILITY #5. Financial Options. Shifting resource bases require constant alertness and interpretation. No one can rest assured that present sources are permanently certain. The relationships and impact of tuition and fee charges, gift and grant commitments and expectancies, investment income, auxiliary enterprises, collateral enterprises, and public sector support are tender variables subject to both consumer response and public policy.

Large institutions usually have experienced, trained planning specialists constantly studying options, models and statistical impact. Small institutions must rely upon commerical/research/professional specialists to analyze and project their options. Some associations offer this valuable service.

Financial managers, business officers, and finance committees have a most arduous responsibility as strategists on economic policy and market trends. While new resources are being created whether in the public sector or the private sector, alternate options must include plans for major exigencies with financial implications.

RESPONSIBILITY #6. Staff Ingenuity. Policy boards must be assured that staff capabilities, programs, and procedures exist to maximize potential financial response from constituents whether alumni and parents; local, state, or federal governments; business or foundations.

Publicly assisted institutions, faced with sharing priority allocations of public funds to meet other social concerns, have found the private sector to be responsive. Last year private sector support to these institutions increased 60%. Why? Alumni, parents and friends were asked for support in substantial terms which support was there all the time.

The Los Angeles Community College District has two million alumni mostly within its geographic region 77% of whom did not seek further higher education. This constituency literally has been overlooked for both financial and other support purposes.

Similarly, independent institutions found the public sector resources to be responsive to their historic, unheralded, and substantial services to the public at large. These institutions found that they had a highly motivational case which councilmen, commissioners, assemblymen, and legislators could no longer ignore.

In the past five years many states have developed formulae to assist substantially independent institutions. Such allocations may increase.

The exploration of support markets and constituencies is not a business-as-usual process for relations or development office personnel. Institutional affairs today requires experienced, sophisticated, executives far beyond the traditional capacities of public relations personnel.

Too, the programs and processes they study and recommend must be approved by and include policy board personnel for projecting cost-benefit analysis advocacy and external implementation. Boards cannot rest absolutely that delegated authority through the president to specialized staff is working to the greatest instituional advantage until and unless board members themselves are involved in the process of planning for and implementing legislative relations, private fund-raising, and/or special constituency relations. The precise nature of the process for

each institution will be quite different. Each institution exists in a different and unique environment. Yet, each has common denominator requirements for effective implementation of all programs of constituency education, involvement, action, and support.

RESPONSIBILITY #7. Constituent Perceptions. Different institutions view their prime constituents through different eyes. It is increasingly clear that economic necessity is forcing the exercise of options heretofore unexplored to seek and obtain financial support to assure survival if not to guarantee quality performance. For independent institutions the public sector is now being 'accommodated.' For public institutions, the private sector is a rich target for 'new money.'

Public Institutions. Policy boards must analyze the best possible posture for their role in establishing relationships, communication channels, and understanding of their institution among public body members and staff. There is no one who can cite any one process best for all institutions. There is one exception: councilmen, regents, commissioners, assemblymen, and legislators and Congressmen just simply do not have the opportunity, or enough opportunities, to see the campus in action as spectators. They are usually invited for speeches, arrive late and retreat early. This is not fair to them nor to the institution. Efforts must be made for key persons to see the campus as it is, including unhurried interchange with students and faculty.

The creation of foundations or 'trust' entities greatly encourages private sector motivation for gift, grant, and planned gift support. Where constituencies are large in numbers, selective programs are required for greatest income productivity at least cost while maintaining good relations generally.

Independent Institutions. Policy boards must be assured that public sector leadership - those who are invisible as well as those who are visible - are recognized and treated as a distinct institutional constituency. A special program of education, communication, involvement,

and action can be created and implemented for key political leaders as with alumni, civic leaders, businessmen, or foundation leaders. These institutions must be careful that annual or special fund support requested is consistent with the motivational case for support and in terms of the capacity of the resource whether public bodies or individual prospective donors.

Church Related Institutions. Policy boards are often chiefly ecclesiastical, quite introspective, and suspicious of generous financial support from both public and private sectors lest some of their 'power' or 'control' be jeopardized. Yet, perhaps the greatest power of deterrance lies within the provincial or parochial mentality unwilling to consider and adopt policy guidelines to preserve ideals, concepts, or control preferences. Such boards must be cognizant of risks for survival and risks of professions of quality and service without strong counterbalancing programs of outstanding leadership enlistment, recruitment of outstanding chief executives, and obtaining outstanding support from church constituents as well as alumni and parents. Here the management exigencies are far more complex, less statistical, more emotional, less motivational to the public generally.

RESPONSIBILITY # 8. Tax Implications. There is much discussion of tax reform measures at all government levels. No one is against tax reform per se. Yet, under the guise of the label appears an invidious attempt to nationalize education contrary to our heritage of self-determination of rights and privileges. The prospect of severe curtailment of philanthropic gift procedures, while aimed at 'the rich', affects in far greater measure middle class citizens who are modest stockholders and holders of real property assets. Too, it is obvious from massive federal assistance programs that federal distribution of funds really benefits most those who are hired to distribute such funds - not the average recipient of services nor the institutions providing such services.

Already personal estate tax provisions are substantially confiscatory when both Federal and State provisions are applied. Powerful, positive, aggressive programs and actions must be implemented to offset misrepresented benefits of tax deprivation parading as tax reform.

Each board member should participate in advocating her or his personal and/or institutional views with positive, politically persuasive arguments for retention of present gift and estate tax provisions. In 1973, $26.5 billion were given to our Nation's philanthropic organizations. Of that amount, people - individuals like you and me - gave 86.5 percent. Of that percentage, 14 percent was provided by bequest. Even with these large figures, the potential which could have been given to such organizations instead of going for death taxes could have been 10 times greater. But institutions just simply have not reminded their constituents to remember them in their bequest and estate plan.

Each college can cite examples where present gift tax procedures has benefitted them substantially. Such examples should be documented and included in simple, direct presentations to State and Federal representatives and congressmen individually and collectively, personally and through collegial organizations, in public offices and in home districts.

Policy boards must stand up positively, persuasively, and absolutely to assure individual rights in the determining the disposition of their assets which they earned and retained by their God-given ingenuity. In the absence of policy board members' actions, the defense option is submission to a national policy of education foreign to our national heritage. As present gift tax procedures maintain, policy boards should press for aggressive planned giving programs concentrating on bequest and estate plan provisions as well as gifts of appreciated assets.

RESPONSIBILITY #9. Institutional Marketing. Policy boards must be aware of the marketing credentials of their institution for student recruitment, public support, and/or private support in new terms. Consumers

of education have become wise to economic benefits as well as academic benefits of largeness versus smallness and new approaches to the learning teaching process versus the traditional lecture. Public relations efforts which have been tried and true now require a new sensitivity in terms of motivating essential values not just traditions; cost-benefit ratios not just habits; dynamics of learning not just going to school; stimulating experiences in intellectual interchange; services for young and old; and taking education to where the need is.

The interpretative strategy and tactics demand new expertise, new skills which very few institutions are prepared to acknowledge. Yet, at every turn we find that we are not in a business-as-usual society or environment. All institutions must market themselves in new terms to new-old constituents in new ways to demonstrate that they have earned and are earning greater financial support from all sectors.

Summary: In sum, what is being asked, what you must ask yourselves, individually and collectively, is whether your stewardship of our institutions of higher education merits the investment of increasing amounts of limited social resources therein.

Your greatest challenge and your finest opportunity for service to society and fulfillment of your own noblest ideals rests upon your ability and willingness to face this question honestly and fearlessly. How you will respond to this call may well determine the future course of higher education, which in turn will have major impact on the future of our country and the world.